



Taxicab Permitting Process Study

Project Overview & Key Findings/Conclusions

True North Research

Timothy McLarney, Ph.D., President



Study Objectives

- **Determine the appropriate supply of taxicabs**
 - What's the appropriate number?
 - Does the current policy formula work well in balancing supply and demand?
 - Is there a better methodology?
- **Methods of Permit Distribution**
 - Review methods of distributing permits during Transitional Period
- **Using the Permit Process to Achieve Policy Goals**
 - How can permit issuance and transfer processes be used to achieve policy goals?

Research Process Overview

- **Objective Approach using Data from Many Sources**
 - Historical documents, staff reports, memos and policies
 - Data on permit issuances & transfers – historical & current
 - Data on change in hotel occupancy and civilian population
 - Financial data from taxi companies on the costs of operating a taxicab
 - Interviews with MTS staff
 - Interviews with taxi companies
 - Interviews with owner/drivers and lease drivers.
 - Review of customer satisfaction data '99 and '09
 - Review of trip frequency data '99 and '09

Setting the Supply

- Council Policy 500-02, as updated in 2001
- 135 Additional permits were authorized (bringing authorized total to 1005)
- Future permits were to be issued according to a formula that measured “demand” using two variables
 - Growth in Hotel Occupancy
 - Growth in Civilian Population

Current Policy Formula

MERITS

- Attempts to link supply with factors that are “related” to demand
- Not arbitrary basis

PROBLEMS

- Proxy measures are not good estimates of demand
- Doesn't account for many factors that shape actual demand, most obvious being **competition**.
- Formula overestimates demand – suggests adding 100 more permits despite recession
- The policy would result in a 26% increase in supply since 1999 paired with a 13% decrease in demand.

Proposed New Formula

The proposed formula:

- Instead of using proxy measures, it employs a **direct** measure of demand based on volume of taxicab trips served by the industry
- Identifies a supply level that has historically been associated with good levels of customer service
- Brackets the supply by what is economically sustainable for taxicab drivers – enough revenue to cover the costs of providing the supply
- Considers the impact of the Airport

In short, the formula does a much better job creating a *sustainable* balance between supply and demand

Are More Permits Needed Now?

- No. To balance the market, what is needed is an increase in demand – not additional supply.
 - Based on the current levels of demand, the revenue generated, and the costs of providing taxis, 738 taxicabs would be sufficient inclusive of Airport cabs.
 - However, also find that if demand levels were similar to pre-recession levels, the new formula would recommend a supply of 998 – almost exactly the current supply.
 - Thus, as the region's economy rebounds from the recession, San Diego's taxicab market will become more balanced and eventually have a need for additional permits.

Methods of Distribution

Problems with methods used to distribute permits:

- All methods (company RFP, driver RFP, lottery) failed to create any *sustained* improvements through innovation, technology or standards of service.
- Company RFP: time consuming to review and rank, could not eliminate all subjectivity, formal protests
- Driver RFP: Seniority became the dominant selection criteria, not necessarily linked to performance/customer service.

Recommended Hybrid Method

- Set high standards that applicants **MUST** meet to be eligible (E.g., alternative fuel vehicles, electronic dispatch, wheelchair accessible vehicles)
- Set standards that can be objectively measured on a pass/fail basis to avoid subjective scoring.
- All applicants who meet the standards for participation would be entered into a lottery.
- Must have mechanism to require permit holders to continue adhering to standards for the lifetime of the permit.
- Burden of proving compliance on the owner, not MTS.

Permit Transfers

Should they be allowed? Yes:

- **Encourage Investment:** owners are more likely to invest in their businesses and vehicles.
- **Easy Entry & Turnover:** Allows people to enter and leave the market, guaranteed way start taxi business.
- **Avoid Permanent Lease-Driver Class:** Owners will hold permits indefinitely and lease if they can't sell.
- **Faster Transition to New Standards:** Requiring new standards for permit transfers will transition the industry much faster than through new permits only.